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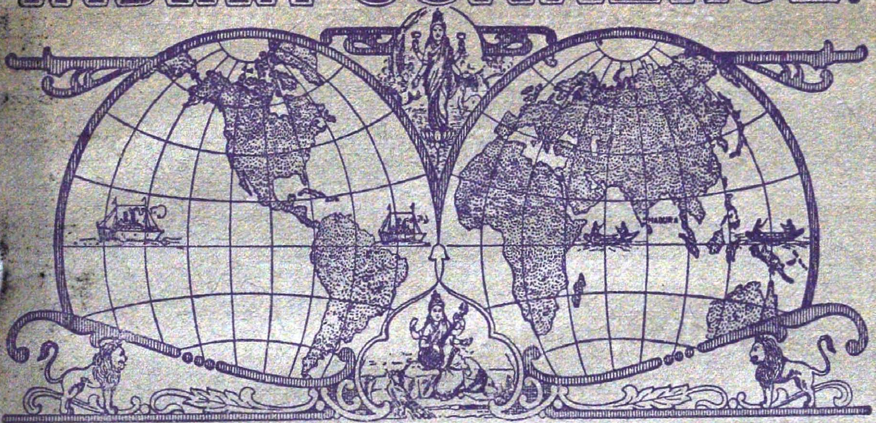

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CONENTS.

	Page
Leading Article :— The Indian Budget, 1933-34	65
The Broach of South India : By Prof. J. S. Ponniah, M. A., Dip. Econ.	69
The Benefits of Life Insurance : By B. S. Ramanath. Esq., B. A.	72
The Risk of Paddy and the Hope of Sugar : By K. S. Srikantan, Esq., M.A., F. R. Econ. S. (London) ...	77
Bad Debts and The Income-tax : By A. Ramayya, Esq., M. A., F. R. G. S.	82
Middle-class unemployment in India : By C. A. Krishnamoorthy Rao, Esq., M. A., F. R. Econ. S. ...	85
How to Read the Money Market page of a Newspaper : ...	88
News and Views	93
Talks to Shorthand Students : By P. S. Pitchumani, Esq., B.A., L.T.	94
Madras Govt. Tech. Examinations : Short-hand—Higher—Elaboration of Notes, April 1932 ...	96

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Vol. I. *March, 1933.* *No. 3.*

OFFICE OF THE REGISTRAR OF ... 28 MAR 1933 MADRAS

The Indian Budget, 1933-34.

THE high hopes entertained by the public, especially by the mercantile section, on the Indian Budget for 1933-34, for some measure of relief in taxation, of course not without reason, because of the announcement made in the last month that both the Government of India and the Government of Madras have restored by one-half and in full respectively the national emergency cut in the pay of Government servants, have been shattered to pieces when Sir George Schuster presented his budget for 1933-34, to the members of the Indian Parliament on the 28th ultimo. Though he takes some amount of pride, legitimate too, in having been able to present a balanced budget, with a small surplus of Rs. 42 lakhs, in having successfully passed over one of the worst periods of financial stringency and also in having maintained the financial credit of the country unimpaired in any way—nay even raising it better than before—it seems he has not thought for a moment that he has been able to achieve these results only by taxing the public, and especially the mercantile community to the highest possible extent, in the face of much opposition all over the country. The opinion hitherto prevalent among the public that the emergency budget introduced in September 1931 was only a temporary measure to overcome a national crisis of an extraordinary character and that its implications namely heavy taxation was a burden to be shared by all sections of the public, including Government servants, as a measure of patriotism to save the country, has now to be modified and to be noted with much regret that it is not so. We do not understand how the Finance Member thought it just to continue the emergency taxations with full vigour and in their entirety in the shape of reduction in the taxable minimum of, and surcharge on, income-tax, increased post and telegraph rates, high customs duty etc., when he has been able, because of some financial improvement, to mini-

mise the burden hitherto shared in some measure by the Government servants also, by partially restoring the cut in their pay, while little or no relief has been granted to the other sections of the public. We think that this is one of the reasons why the sons of the soil prefer a Government berth, even though now-a-days our senior and grown up politicians and others advocate in their platform speeches our youngsters to take more and more to trade, commerce and industry. It is feared that it has become more or or less a peculiar feature of our Finance Members that a form of taxation once resorted to, whatever may be its reasons, is allowed to continue and to take to permanency, even after the particular emergency to overcome which it was imposed, is at least partially over.

One peculiar feature of the Indian Budget for 1933-34 is that an additional taxation is proposed to be levied on the mercantile public in the shape of stamp duty on cheques. This form of taxation was purposely abolished with effect from 1st July 1927 on the recommendation of the Currency Commission of 1926 with a view to giving increased facilities for the promotion of the banking habits of the people of the country and it was not revived even in the emergency periods of 1931-32 and 1932-33. Knowing this as he fully does, the fact that Sir George has yielded to the pressure that has been brought to bear upon him by the various Provincial Governments to revive this measure of taxation is undoubtedly a measure which is calculated to cause a serious set back to the promotion of the banking habits of the poor people of the country. But having acquiesced in the requests of the Provincial Governments, he justifies his proposal in paragraph 85 of his budget speech quoted hereunder, which is more apologetic than convincing. He says "the actual results, however, have not been encouraging, and from the enquiries made, the Government of India believe that the remission of the duty has not had much effect. The report of the Indian Central Banking Enquiry Committee tends to confirm this belief, as it found that the most serious obstacle to the growth of the cheque habit in the country was the illiteracy of the people. We therefore felt that we had no strong grounds on which to resist the demand which has

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been pressed upon us by various Provincial Governments that the stamp duty should be reimposed in order to help their revenue, and we have accordingly somewhat reluctantly agreed to propose a reimposition of the duty for a limited period of three years. In order to allow due notice to banks and the public, the change will only come into effect on the 1st July 1933." But what is the national opinion? It is given expression to by Sir P. Thakurdas of Bombay, a well-known authority on Currency and Banking problems and he says "The next item that I cannot help criticising is the revival of the stamp duty on cheques which I look upon as a definite retrograde step. Sir George Schuster says in his speech that the report of the Central Banking Enquiry Committee tends to confirm his belief that remission of the duty has not had much effect. I am afraid Sir George Schuster is far from correct in this. In para 663, the majority report of the Central Banking Committee says: 'The recent abolition of stamp duty on cheques appears to have contributed materially to the use of cheques not only in commercial towns, but also in the mofussil. Co-operative banks also record a rise in the number of accounts opened and in the cheques issued by them.' I hope that the Central Legislature will turn down this retrograde and, what I may with respect call, thoroughly shortsighted suggestion of the Finance Member."

What is the extra revenue to be derived by the revival of the stamp duty on cheques? Though the legislation is central, the Finance Member says, the proceeds will be divided among the various Provinces and the proceeds in a full year will be about Rs. 7 lakhs of which the greater share will go to Bombay and Bengal. After all a paltry sum of Rs. 7 lakhs, to be divided among *various provinces*, with a lion's share to go to the two prominent commercial Provinces of Bombay and Bengal, perhaps each getting Rs. 2 lakhs, and the others, each getting some thousands. These various Provincial Governments and those of Bombay and Calcutta in particular, whose special pleadings, we think, should have been irresistible, could better think of some other way by which if they like they could easily recoup the

shortage of income to the extent of a few lakhs than by resorting to the revival of this taxation. Further we ask have the Provincial Budgets been so very accurately calculated, even to the extent of a lakh of rupees? A budget is a mere estimation and when the original and the revised estimates, together with the actuals, are examined, they result in most cases in a difference of several lakhs of rupees and when such is the case why should they insist on this source of a paltry income as if the budget is correct to the nearest rupee, there is no other scope for reducing the expenditure by a few lakhs and only as a last resort they had to press for this small source of revenue. Supposing this proposal of additional taxation is allowed to become into Law, what will be the immediate result? The good work of the past six years, which has in no small measure, according to the majority report of the Central Banking Committee, encouraged the growth of the banking habit of the people, will receive a rude shock. Several current accounts will be closed in Banks from July next, as now-a-days the interest allowed on current accounts by bankers is practically nil. The usage of cheques has not become a common and prime necessity in our country, as in England, in the absence of either an All-India or at least a Provincial Clearing house for each Province through which medium, cheques can be cashed without incurring collecting charges. Our people are not so rich as to deposit Rs. 100 and then withdraw it by cheque incurring an expenditure of one anna, getting a net receipt of Rs. 99-15-0 only. Already banking facilities and the banking habits of the people are not up to the required standard and the adoption of this extra taxation, as a European member of the Assembly rightly remarked, will result in a taxation of trade.

Even now, it is not too late to modify this part of the budget proposal and we hope our shrewd Finance Member will see that the proposal to levy stamp duty on cheques is dropped and it is not even thought of, at least for some years to come, until the banking habit of the people is sufficiently advanced and the usage of cheques becomes more common and a prime necessity for the public. Will Sir George do this? Let us wait and see.

"The Broach of South India"

BY

PROF. J. S. PONNIAH, M A., Dip. Econ.,

American College Madura.

Just a mofussil! There are no banks, no Joint-Stock Companies, no Stock Exchange and no Chamber of Commerce in it. There are no museums or public parks, neither art-galleries nor music academies to adorn it. Yet is a busy hive of inland trade and the emporium of all the South Indian food grains, condiments and sundries. And since the eighties of the last century, it had occupied the foremost place in the cotton trade of South India, as the up-country inland centre of Broach does in the cotton trade of Western India.

Which is the Broach of South India—the obscure but unique rural locality? It is now called a 'town' as the result of the agitation of its inhabitants who have christened it as "VIRUDUNAGAR", discarding the former suffix, PATTI which meant only a petty village! It is however neither a patti nor a nagar; it is midway between the two. But a history of its origins and a description of its present position would present several interesting sociological and economic problems of general application and hence this short article, which may otherwise be damned as too local or too obscure a topic for a respectable journal with a national scope—"Indian Commerce".

Not more than 400 years ago, certainly late when compared with the other ancient settlements of the Nadars in this region, just about five or six families of this community, whose ancestral titles are still preserved and continued by their present descendants, settled down in this particular village during the course of their northward progress from their homes in the Tinnevelly District.† They were traders, but were no more than wandering 'pedlers', carrying their simple wares, such as they were there available then, jaggery, coir, fibre, etc., on mule's backs to be exchanged for the commodities of this locality. Some were really coming and going, like the dove of Noah's arc, but others settled down and began to develop an importing and exporting business in those simple articles which, in days to come, enabled them to venture into realms of higher trade. The volume of their transactions increased; the range of commodities in which they traded became wider; their common good fund, called 'Magamai' swelled; and so they were steadily and slowly progressing.

But two important events of the latter half of the nineteenth century left the new settlement more prosperous than ever. The first was cotton growing for export to the hungry Lancashire markets during the cotton famines of 1862–1865. Cotton has made history all over the world; it did so even in this petty village. The wide streches of black cotton soil for miles round about naturally made Virudupatti the centre

† For fuller details on this point see the present, writer's article in the Madras Geographical Journal October 1932, pp. 272-273,

of collection and ginning of raw cotton for export. What Professor Knowles had said of Bombay may be applied, *mutatis mutandis,* to this little village. "The cultivators made the tyres of their cart wheels of silver. The town of Bombay owed much to the cotton famine during the Civil War. The wealth of Bombay was increased by £70 millions. Speculation was rife; the value of land trebled." The merchants learned the tricks of this new trade and soon became experts. Railway building on an extensive scale, which followed in the wake of the cotton boom, connected this place with such important centres as Madura, Tinnevelly and Tuticorin and assured at once the ascendency of Virudupatti as a distributing cenrre *par excellence.* Cotton became the queen of merchandise since then.

But, side by side with cotton, was growing up the business of importing and exporting of food grains, spices, and miscellaneous domestic stores to enormous dimensions, thanks to the enterprise of the educated young men turned out from their own high school. These men trained from their childhood in the maxims and artifices of trade, which they had learned evidently from the Nattukotai Chettiars of whom there were ten or fifteen families at that time there, dispersed themselves in all directions, north and south, west and east, even into the interior centres of Bombay and Bengal, Ceylon and Burma, and began buying and selling on a large scale. Splendid profits were made. Furthermore persistent demands on the services of these men by other merchants from several consuming centres of importance led to the development of one of the most distinguishing features of our inland wholesale trade, namely, the commission agency system. That is, these merchants buy and sell on behalf of their clients for a very trifling commission, but the profits amount to large sums if the turnover is large. This phase of development in inland trade marks an important stage in the evolution of business and might well result in a system of central distributing agencies for all the important food grains and domestic stores of our people. Already the prominent merchant houses of the Virudhunagar Nadars have a system of "chain shops" in all the important town centres of South India and have developed excellent facilities for transmission of money by hundies from one centre to another. The commercial probity of this community, even of the ordinary apprentice, is the envy of the rest of the trading castes. Some of the merchant houses have attracted incredible amounts of deposits of small savings from all classes of people, especially the widows and the rural folk of the neighbouring villages. In the face of these facilities, it is no surprise that both the Indian Bank and the Imperial Bank of India have found it impossible to find any clientele for the branch offices they opened there some time ago! A town, where buying and selling both on their own account and on behalf of their clients amounts to crores of rupees, should be without a first-rate commercial bank should come as a shock to orthodox businessmen with western traditions. But such is the way of our men for good or evil!

This extensive trade in all kinds of domestic stores—food-grains, pulses, oil, chillies, coffee seeds etc.—mostly of the type of import and export from and to all the important centres has recently led to another interesting activity. These merchants have such splendid facilities for purchase and sale as capital, agents and expert knowledge of the conditions of demand and supply that they have begun to establish curing and other preliminary manufacturing business. There are a score of such semi-manufacturing enterprises in oil, coffee, curing, packing of tea, curing of black-gram, red-gram etc., giving employment to hundreds of womenfolk, some of them being widows.

Enormous the magnitude of such industrial and trade activities may be, to the outside observer, Virudhunagar is first and foremost a cotton centre with its towering chimneys, belching out black smoke; with its spacious godowns for storing of cotton; and with its big market-place thronged by hundreds of bullock carts every day during the busy season.

True; so it is; and it is easily explained. Here are four foreign buying firms with their ginneries and presses taking nearly 30,000 bales a year. Here are excellent facilities for storage. But far and above all, the most important reason making Virudhunagar the biggest market for Kappas is its merchant community with its hoary traditions. Experts in the purchase of cotton, they attract customers from a wide area, in spite of the fact that local ginneries in the interior compete with them. They enter into contracts with the local firms for the supply of kappas for ginning on a large scale and therefore buy kappas in big lots. Their other advantage, which their rivals in the interior do not possess is their capital. They advance money to the interior merchants in order to attract supplies from them and can also offer higher prices, because by holding up, they can sell later at more favourable prices. Again, their unique system of "sub-dealers" enables them to purchase the best cotton of the interior at favourable prices with a view to storing it till the market improves. No wonder that the big ginneries and the spinners, whenever in need of kappas or cotton always turn to Virudhunagar and advise their brokers for large shipments. Hence the ascendency of this place as the biggest kappas market and the next biggest cotton market (Tuticorin being the biggest market for ginned cotton) in south India.

Whether Virudhunagar will maintain this supremacy or not, it is difficult to predict. But recent events do not give us hopes for optimism. The cotton-growing villages have now been "opened up" by roads and railways–Rajapalayam and Bodinayakanur areas for instance. The result is that ginneries have been started in all the important villages which have adversely affected the supply of kappas and cotton in the Virudhunagar market. The second adverse factor is the rapid development of

the growth of the long-stapled Combodia cotton in Rajapalayam, Dindigul, Tiruppur and Coimbatore, resulting in the establishment of rival markets and rival ginneries. Furthermore the demand for the Tinnevelly cotton, which forms 90% of the supplies in Virudhunagar, is likely to fall off in competition with the Tiruppur and the Rajapalayam Combodia. Yet Virudhunagar may hold its own provided a spinning industry is established there. There are all the necessary requisites, capital, business ability and raw material. But – unfortunately – the lack of good and sufficient water supply and a humid climate tell adversely againt such a proposition. As it is, there is already the operation of the principle of "disintegration" of trade. The merchants are dispersing and and distributing themselves to the various village centres which have begun to compete with Virudhunagar. If such a fate would overtake its trade in food-grains and domestic stores, should it sink or revert again to a "PATTI"? But in the history of the evolution of cities or localities no such catastrophe would befall all of a sudden.

The Benefits of Life Insurance.

BY

B. S. RAMANATH, ESQ., B. A.,

Sun Life Assurance Co., of Canada.

MADRAS.

To understand and bring home the incalculable good that Life Insurance affords to humanity, it is but fair that one should know what it is, and what it does.

Life Insurance has been defined by Allan H. Willet in his "Economic Theory of Risk and Insurance" as "that social device for making accumulations to meet uncertain losses through premature death which is carried out through the transfer of the risks of many individuals to one person or a group of persons." In these days of fast moving traffic and the marvellous advance of Science in all directions, mankind is exposed to serious hazards and risks at every step, the happening of which, from the point of view of the individual, none can foretell but the effect of which is so tragic that it ought to engage the serious consideration of the individual to safeguard his own dear and near ones against the possible contingency of his being out of the picture. And this can best be achieved only by means of and through Life Insurance. In fact, Life Insurance is nothing but a safeguard against such misfortunes of individuals who indemnify their personal loss

in the event of their premature death through covering the risk on their lives. A life office through a contract called the 'Policy' binds itself to pay the assured a certain sum of money to his nominated beneficiary or estate for a stipulated compensation called the 'premium' in the event of the assured's death. While this is in brief what Life Insurance is, let us now see what it does.

Although the benefits of Life Insurance to some may sound a commonplace trite, nevertheless, they bear repetition many times over until every one in India realizes the importance and need for it and acts in a manner he ought to.

The science of Life Insurance has for its object the protection of the dependent. The grown up and earning member of a family has the responsibility to support those dependent on him, while his dependents have a right to look upon him for provision being made in the event of his premature death. "His Life" says Huebner, "has a value to the dependent members of the family, and it is this value of one Life in its relation to another that justifies the existence of Life Insurance." This fact again leads us to the observations of Benjamin Franklin which are significant to note. He states:—

> "A policy of life insurance is the oldest and safest mode of making certain provision for one's family. It is a strange anomaly that men should be careful to insure their houses, their ships, their merchandise, and yet neglect their lives, surely the most important of all to their families, and more subject to loss."

Though the benefits accruing from Life Insurance are so many that it is not possible to enumerate all of them here, yet a few of the most important ones may be discussed to bring home to the vast majority of individuals, some of whom are superstitious and sceptic about it, the incalculable value of it.

Insurance as a social duty:—

Life Insurance is a duty enjoined by society which none can possibly set at naught with impunity. It is the one and the only way to 'hedge' the family against the uncertainty of life; hence it must be the first charge on a man's income, no matter how little it may be. This fact weighs all the more in the case of one with moderate means who cannot with any degree of certainty leave by a savings fund for his dependents who may survive him. The whole proposition should resolve into a business undertaking, for, after all, a family is nothing but an important business which needs to be protected against needless bankruptcy. As Benjamin Franklin so beautifully put it, we take care to capitalize many of our belongings yet are shortsighted enough to realize the duty and equity of capitalizing our own family in the form of a Life Insurance Policy. Could we, in the light of everyday experience and occurence around

us, afford to consider our lives as mere play things and gamble with them? Not at all. While it may be said that Life Insurance is a duty devolving on men, the women also have no less an important duty to perform, which is to use their persuasive powers and bring pressure to bear on their husbands. In this, women are not transgressing their limits and trespass into the domain of men's prerogatives. In fact, it is their *right* in the interests of their own personal protection and their children who are as much theirs as they are of their husbands'.

Insurance drives away self-worry and stimulates initiative:—

The priceless possession of a policy of Insurance is enough to feel care-free, and worry, the greatest curse that can befall mankind, is lifted off his shoulders. He feels new strength coming to him, as it were, and is free to launch forth on any big scheme. This feeling of happiness, in short, increases his efficiency and initiative. By the payment of the first premium on a policy he creates an immediate estate, which if he is fortunate enough, enjoys it himself or, if it is otherwise, has the placid satisfaction that the Insurance Company will reimburse his dependents. This is what makes life worth living for and causes the proud possessor of a policy, "to eat better, sleep better, feel better, and as a result of these, to work better." In brief, he feels better all round.

Insurance makes saving possible:—

Whenever an Insurance proposition is placed before a prospect, he more often than not compares it with the return on a bank investment. A bank is a bank and Life Insurance, a life Insurance. These two are not identical in all respects to be compared and contrasted. There are certain beautiful things which life insurance can give and which a bank cannot. The habit of saving is no doubt a good one which ought really to be commended and encouraged, but at the same time, life is not vouched for us until the saving of a competency; hence the superiority of Life Insurance over the savings-habit through a bank. A man may resolve to invest a portion of his earning in a bank, probably at the highest rate of interest, but death may defeat his purpose to create an estate for his dependents. As the requisite condition to provide for the family is *absolute certainty*, there can be no better way of achieving this objective except through Life Insurance. For a man of moderate means, it will be the height of folly to suggest any other channel of investment. Therefore, Insurance should be considered a pre-requisite to saving.

Insurance is an investment:—

Apart from the creation of an immediate estate, Life Insurance contains an absolutely safe investment feature. Due to the very scientific character of it and the stringency of Government audit, coupled with the cautious and conservative investment feature, failure of an Insurance company is unknown to us even in times of panic such as the one we are just passing through. Owing to the widely diversified nature of the investment policy of the companies, loss

on a particular security is more than counterbalanced by profits on others.

A study of economics will show that investments on bonds bearing a fixed rate of interest will result in a loss to the investor at a time when prices are high because the return on the security will buy less. This fact holds good equally in the case of Insurance also, but if the profits on a policy are left with the company to accumulate at a guaranteed rate of interest of, say, 3%, there is every possibility of the policy participating in any surplus interest which the company may earn. The proposition is rendered all the more attractive in that Life Insurance Companies will take full advantage of rising interest rates in view of the flow of incoming funds and maturing investments.

Insurance promotes thrift:—

However much we all want to save, in actual practice, we know that it is difficult, but Life Insurance promotes certain inducements to save. In the first instance, a Life Office is usually in the habit of sending out to its policy-holders, well in advance, whenever a premium is likely to fall due, what is called a "premium notice". This timely notice is taken advantage of by many persons and they try to put by a small sum of money at regular intervals and finally they are in a position to pay in their premiums on the due date. This is no doubt an element essential to the development of thrift. This inducement to save undoubtedly results in many persons building up a certain amount which otherwise would never have been possible.

Although the Savings Bank and allied institutions do share in developing this saving instinct, there is attached to them an element of danger to the depositor in that there is always the irresistible temptation to draw out all or nearly all of the amount invested.

Insurance as a provision for old age:—

Even for persons who are in possession of considerable sum of money with none to be provided for except their old age, Insurance extends her infallible hand to them. If they invest their money in a bank, the interest they may get may not be sufficient to keep them going and in which case they may perforce be obliged to draw on the principal itself not to speak of the grave risk of outliving the entire amount one day. Such persons can make their old age happy and contented by investing their all on, what are called, annuities which guarantee them a monthly or annual income as long as they live, no matter however late that may be.

The many advantages herein set forth will, it is hoped, awaken men to their sense of duty as Life insurance is the only royal road to greatly benefit the community as a whole. Mr. Holcombe writes:—

"Life Insurance promotes a sense of responsibility, strengthens family ties and thus elevates the general character of the nation."

Governments both here and abroad have recognised the benefits of Life Insurance and have done everything possible to encourage it by adopting a lenient policy of taxation.

The Insurance Companies are a vital force for the industrial progress of a nation for they invest large sums of money on the basic industries of their country. Although the Life Insurance movement is yet in its infancy in India, yet the tremendous possibilities of good it stands to give to the community has already come to be realized. We have after all touched only the fringe of the possibilities of Insurance in India but yet the total insurance in force here is increasing year by year. For instance, Insurance in force in the year 1928 was Rs. 123,70,63,000, and for the year 1930 it has risen up to Rs. 158,42,84,000, an increase of Rs. 34,72,21,000 in two years after the payment of claims in respect of death and maturities. It is indeed encouraging.

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The Risk of Paddy and the Hope of Sugar.

BY

K. S. SRIKANTAN, ESQ., M.A., F. R. ECON. S. (London).

The mere talk of sugar at a time when one is depressed has often a smoothing effect; much more so when its manufacture is suggested as a remedy for the unparalleled economic disaster which our country is passing through to-day. At a time when the price of paddy has fallen very low, it is certainly of vital importance that the opportunity should be taken for fostering the growth of sugarcane cultivation as to make India self-supporting. At present the Presidency of Madras alone is importing no less than 80,000 tons of sugar per annum, and this in spite of the protective tariff. But the atmosphere is not without hope. Some Provincial Governments have begun to realise the magnitude of the problem and have given public expression to their sense of profound responsibility in the matter. The state of Mysore which has always stolen a march over British India in all matters, has already paved the way in the matter of sugar cane cultivation. A gigantic factory with a capital of Rs. 20,00,000 has been started to manufacture sugar out of sugarcane produced in the surrounding areas. Immediately following the announcement in Mysore, the Director of Industries in the Madras Presidency gave out his opinion in two successive notes in the papers. "The Madras Presidency is one of the most suitable parts of India for sugarcane and a campaign has already been launched by the Agricultural Department with a view to further extension of the area under this crop. The sugar requirements of this Presidency can, it is estimated, be met by bringing in an additional extent of 35,000 acres under sugarcane cultivation". Whether the cultivation of sugarcane will be a successful venture or not, there can be no two opinions about the fact that the cultivation of paddy is no longer an economic proposition. It is necessary before we take up the question of the possibilities of sugar to find out why the future of paddy is so hopeless.

The catastrophic fall in the price of paddy has upset the family budgets of hundreds of landlords and thousands of peasants. This has naturally attracted the attention of some experts who are still diagnosing the disease. It would be easy to trace this fall to the recent 'Financial Crisis' which has become practically the waste-paper basket of the Economist. In fact, there is hardly any economic ill of the

present day which is not directly or indirectly traced to this crisis. Unfortunately, a careful student of Economics cannot blame the crisis, (however blameworthy it may be otherwise) for this phenomenal depression in paddy. The prices of paddy began to fall long before the crisis began and it has been universal and persistent. The price per salagai in Coimbatore district has come down from Rs. 14 to Rs. 7 while that of a kalam in Madura and Ramnad Districts has fallen to Rs. 3 from Rs. 9 and the price per Palla in Mysore Province has come down to Rs. 3/8 from Rs. 10. That the depression in paddy is peculiar to itself is revealed by the fact that while among other agricultural products, there is a tendency to recover, we do not find any such sign in paddy. *In fact, paddy in the agricultural economy seems to be losing its autocratic position* as *'Gold' in the currency system of the world.*

It is naturally the duty of the Economist to ascertain the causes of this meteoric fall and assess the place of paddy in the future agricultural policy of India. That we are having economically, culturally and socially a lopsided, inadequate and imperfect development is admitted on all hands. If the danger of our economic prosperity is too much reliance on agriculture, the danger of our agriculture is too much reliance on paddy. In fact, there is a feverish anxiety on the part of our farmers to prepare their land for paddy cultivation, and wet cultivation with very few exceptions, means to the majority paddy cultivation. This love of paddy is ages old and the partiality to paddy has naturally increased the area under paddy considerably resulting in over-production. During the years 1920–1924 she had to her credit 80,683,900 acres; the largest area in the whole world. The area is still on the increase. The quantity of paddy produced has increased not only on account of extensive cultivation but also on account of intensive cultivation. The Agricultural Department will have no justification unless it increases the productive capacity of our lands. As it is, the yield per acre in India is reckoned at 1,310 lbs. per acre, while that in Italy is 3,670 per acre. Thanks to the labours of the paddy specialists, there is a considerable improvement. Their work of improvement consists in (1) better cultivation of the land, better manuring and use of proper seeds, (2) growing of particular varieties, most suited to the locality and (3) isolation and hybridisation. "In India" writes the paddy specialist of the Madras Presidency, "the general standard is still low and so far as the crop specialist's work goes, there is immense scope for improving

the present output by 10% by mere isolation of superior strains from the existing varieties". It is easy to imagine the increase in quantity if an all round improvement were possible. From our point of view, this is not a good sign. We are witnessing already an over-production in the most superficial Rice culture we are having. If by intensive cultivation production improves as anticipated, the plight of the farmers cannot be imagined. While in other countries an increased intensive cultivation has meant a corresponding decrease in the area, here both are seen moving forward side by side. The recent development of Italian agriculture is a case in point. The following figures speak for themselves.

		* Hectars.	lbs.
1870–1874	...	2,32,670	48,10,900
1879–1883	...	2,01,850	35,85,900
1890-1894	...	1,82,450	30,45,400
1901–1905	...	1,75,365	44,34,500
1910–1914	...	1,44,998	48,78,700
1915–1919	...	1,38,618	52,18,300
1920–1924	...	1,21,408	46,98,800

* 1 Hectar=24 acres.

If Italy had not decreased the area under rice as the quantity per acre increased she would have had to face a similar difficulty long long back.

In India there is already the danger of over-production. The New Irrigation Schemes have been launched with a view to bring more lands under the same crop. The Mettur project when it is complete, will certainly make the Tanjore Ryot more miserable if additional lands are brought under paddy cultivation.

The danger to rice has arisen not merely on account of an increased extensive and intensive cultivation, but also because of competition from elsewhere. In fact, most of the foreign markets are closed. China, Indo-china and Siam have already begun to displace India's position. The Pacific countries require 2000 million lbs. of rice per annum and the demand is now met by India, Siam and Indo-china. It is however quite possible that the share of the latter countries may increase. The production of Japan and her Colonies is increasing and in fact she is trying to create a market by dumping her excess production in our countries irrespective of cost. The Russian and Korean enterprise in the production of rice shows that they would soon take a large scale of the Asiatic trade. In Europe and America too, the rice production is much in excess of the demand and they release a considerable quantity for the market. That the export of rice from India is falling can easily be seen by the fact that while the export of rice

from Burma was 4,805 million lbs. in 1924–1925 it came down to 4,383 million lbs. in 1926–1927. In the case of Bengal it has come down from 601 million lbs. in 1922–23 to 261 millions in 1926–27. The total export for the whole of India has fallen from 5,511 million lbs. in 1924–25 to 4,967 in 1926–27.

Even if there is a case for the growth of more paddy, it should be done only in areas best fitted for the same. In fact, in India, Bengal and Burma are best fitted for rice production and if every province in India devotes its attention to the culture of the particular crop for which its soil is best fitted, the depression in Agriculture would be more easily solved. The Presidency of Madras, for example, can devote greater attention with advantage on sugarcane, cotton, cocoanuts and oil seeds. Burma, which is one of our own sisters, is an essentially Rice producing country and in future will be compelled to look upon India for her exportable surplus. If Madras is to rise to the occasion, she should adopt the crop that is of greatest economic advantage to her.

Besides, paddy cultivation is fraught with a number of other defects. In the words of the paddy specialist, it limits the number of crops which can be grown during the paddy season to turmeric, sugarcane, plantains and betel-vine; and these crops require that the cultivator should possess a considerable amount of capital. It entails enormous waste of water; it necessitates the transfer of cattle which involves loss of manure and the loss of animals due to several diseases. It creates an unsteady demand, for it increases the cost of cultivation of other crops like sugarcane, plantains and turmeric, because of the drainage difficulties; and very often this forces the cultivator to depend on one crop only.

It is therefore clear that in future the farmers in India should be induced to grow crops other than paddy. There is little justification for developing the irrigation facilities with a view to increase the area under paddy. The sign of the times is already seen in the fact that in Egypt, Sind, and the Punjab, large areas served by the new irrigation projects, are devoted to cotton growing. The Mysore State has launched on the experiment of block cultivation. The new areas which are to be brought under irrigation as the result of the opening of the canals of the Krishna Raja Sagara are being surveyed with a view to set apart definite blocks for garden cultivation only.

The present position of sugarcane cultivation is however very unfortunate. Having 30,00,000 acres under sugar which is nearly half the world's area under sugar, we are still importing large quantities from foreign countries. In fact while during the period between 1895-99 the output of Indian sugar amounted to nearly 50% of the world's production, in 1917-20 it came down to 20%! It is needless to observe that it is nothing short of a tragedy to have such a large area under sugarcane and yet import from foreign countries. In actual sugar India's production per acre is less than one-third that of Cuba, one-sixth that of Java and one-seventh that of Hawaii. Thus the trouble with Indian sugar to-day is its inability to face the severe competition. To eliminate this competition, mere increase in the area under sugarcane cultivation won't do. Manufacture of sugar by easy methods is of greater importance than increase of area in the near future. But as matters stand at present, large scale production of sugar after a factory type is impossible. It is necessary therefore to demonstrate to the Ryots the best methods of production on a small scale. In the words of the Director of Industries, Madras, "Improved methods of cane-growing are shown at the various agricultural demonstration farms scattered through the Presidency and a start has been made at two of the farms to demonstrate how sugar can be produced from the cane. In the Godavari Delta alone there will be an increase of 9,000 acres under sugar cultivation this year, representing an excess value of fifty lakhs over the value obtainable from paddy cultivation and such figures at a time when paddy has slumped give cause for serious reflection. From what I have said I feel sure you will agree that there is ample room both for factory production and small scale production and that there is not likely to be competition between the two for many years to come." The hope of sugar, however, rests on the support of the Government. Proverbially conservative as he is, the Indian Ryot will not easily take to sugarcane cultivation unless he is convinced of its Economic advantage. The protection that the Government has given, it is hoped, will be taken advantage of by the Ryots to increase the sugarcane cultivation: crores of rupees are now being sent out of India every year for sugar. A league for "Buy Indian Sugar" will have to be soon launched to encourage sugar culture.

Bad Debts and The Income-tax.

BY

A. RAMAYYA, Esq., M. A., F. R. G. S.

The recent ruling of the Privy Council the case of the *Commissioner of Income-tax Vs. Sir. S. M. Chitnavis*, (reported in 59 Indian appeals), sets at rest the conflicting decisions of the Indian Courts with regard to the rights of assessees to claim deduction of bad debts for income-tax purposes. In view of the undoubted importance of the subject for the business community in general the exact legal right of assessees in this connection may be pointed out here.

1. Although the Indian Income-tax Act nowhere in terms authorises the deduction of bad debts of a business, such a deduction is necessarily allowable. S. 10 (1) provides that income-tax is payable by an assessee under the head "Business" in respect of the profits or gains of any business carried on by him. In determining what is the amount of profits and gains of a year, account must necessarily be taken of losses incurred, otherwise you would not arrive at the true profits and gains. As their Lordships of the Privy Council pointed out in the case of *Lawless Vs. Sullivan* (1881) 6. A. C. 373, "there can be no doubt that in the natural and ordinary meaning of language the income of a bank or trade for any given year would be understood to be the gain, if any, resulting from the balance of the profits or losses of the business in that year. That alone is the income which a commercial business produces". Thus in the natural and commonly accepted sense the income of a business means only the balance of gain over loss. It cannot mean the total of the sum earned without any deduction therefrom in respect of sums lost. Whether the statute expressly provides or not deduction in respect of bad debts is therefore necessarily allowable.

2. But the deduction must be in respect of losses arisen in the year of account i. e., the previous year. "You may not, when setting out to ascertain the profits and gains of one year, deduct a loss which had in fact been incurred before the commencement of that year. If you did, you would not arrive at the true profits and gains of the year. For the purpose of computing yearly

profits and gains, each year is a separate self-contained period of time, in regard to which profits earned or losses sustained before its commencement are irrelevant. It thus follows that a debt, which had in fact become a bad debt before the commencement of a particular year, could not properly be deducted in ascertaining the profits of that year, because the loss had not been sustained in that year. *Commissioner of Income-tax Vs. Sir. S. M. Chitnavis.*

3. An assessee cannot claim deduction of a bad debt simply because he has written it off as such in his accounts. It must have become actually bad or irrecoverable during the year of trade. The mere fact that a debt was incurred at a date beyond the period of limitation will not of itself make the debt a bad debt; still less will it fix the date at which it became a bad debt. A statute barred debt is not necessarily bad; neither is a debt which is not statute barred necessarily good. The age of the debt is no doubt a relevant matter to take into consideration. In every case it is a question of fact, to be determined after consideration of all relevent circumstances. In this connection may be noted what the late Professor Dicksee has suggested as a guide to business practice, in his book on Auditing (14th Edition, page 63) "When an account becomes hopelessly bad (either by reason of statute of Limitations intervening or an execution remaining unsatisfied, or a final dividend having been distributed or a composition accepted), and *not until then*, the Account is written off to Bad Debts Account, but on no account should an amount be written off until it is known to be irretrievably bad, as an amount, once written off, is almost certain never to be recovered".

4. The questions whether a debt is a bad debt and if so at what time it became bad are questions of fact to be determined in case of dispute not by the assessee or by the exercise of any option on his part but by the appropriate tribunal, the Income-tax Officer, upon a consideration of all relevent and admissible evidence. It does not depend upon the *ipse dixit* of the assessee, his accountant or any one else. As Rankin C. J. in a Calcutta case said, an assessee cannot be allowed to pick and choose the year in which he will treat a debt as bad and thus escape payment of income-tax. Doubtless if an assessee may go back for over twenty years he will be able to trace many debts that are not now recoverable. He must have solid reasons for writing them off against the profits of a particular year. (*In re. Binjraj Hukumchand*, 58 Cal. 1446.)

In all strictness deduction in respect of bad debts is allowable, not when such debts are found to have become bad or irrecoverable, but when they are actually so. The question of bad debts arises only in the case of business men keeping accounts on a mercantile basis as distinct from cash basis. Under that system the profits and gains of a year include not only amounts actually received but those which have accrued due to him in the year's trading though they have not been received. In other words, a trader is not at liberty to limit the 'income' which he returns to the amount actually received but must estimate the value of the debts that have accrued due to him during the year of trading under consideration. These are known as 'book profits', and a finding out of these for the purpose of profit and loss account necessarily requires the ascertainment and determination of such of them in the year's trading as are actually bad or doubtful. Of course this is difficult in actual practice, and as Lord Plender pointed out in his presidential address before the Chartered Accountant Students' Society of London on 25th April, 1932, "the results of trading for any one year as shown in a Profit and Loss Account are bound to be in practically all cases, an approximation based upon facts, estimates and opinions. It is rarely if ever that the results of any one year could be said to be entirely attributable to the operation of that year. The extent to which debts may prove irrecoverable is a matter of estimate and debts which had the appearance of being perfectly good at the end of a financial year in respect of operations of that year, may, subsequent to the date of the accounts, be found to be partly or wholly irrecoverable. The converse may apply. "Whatever the difficulty, the law nevertheless requires that there must in every profit and loss account, be an examination of the debts and a careful distinction between those that are good, doubtful and bad......... This estimate should be made in every year of trading, and when it has been fixed, the annual profits for that particular year are ascertained." The very idea of bad debts implies that they arise in the year of trading and not in any other year. (*Gleaner Co. Vs. Assessment Committee*, 1922 2 A. C. 169.)

Middle-Class Unemployment in India.

BY

C. A. KRISHNAMOORTHY RAO, Esq., M. A., F. R. Econ. S.

An article for the 'Indian Commerce' which I have been asked by its Editor to contribute to its columns would not, I think, be amiss if unemployment in our country be made its subject matter. Perhaps, the most acute problem of India today is that of middle-class unemployment, of which we find evidences brought in almost every day in an ever increasing measure. The evil is felt with greater poignancy when we find Masters of Arts and Honours and ordinary graduates among the victims, for, it means that large sums of money, several years of study and a vast expenditure of human energy have been unable, ultimately, to procure for the young man not even a pittance of Rs. 30 or 40 per mensem.

The evil makes itself felt in a variety of ways. First, there is actual unemployment; those who are in actual employ are retrenched or their salaries reduced; and in case of longer service, the way is prepared for their retirement. Owing to the unrest among the unemployed, pressure is borne in among those actually employed.

The terms employment and unemployment have a peculiar application and definition in India. In the West, the terms mean the *industrially* employed and unemployed. In India, except in the industrial centres, they mean, on ultimate analysis, *clerically* employed and unemployed. It is not industrial employment that our educated young men aspire for, one important reason being that they have not had such a training. There is also the notion that they might be classed as *wage-earners*. So these are left, the higher posts to those that have had the necessary technological training, and the lower ones to the uneducated or imperfectly educated dwellers in, or near urban areas. But all the while, the annual addition to the number of graduates is not negligible. It is a pitiable sight to see a large number of them hovering about clerical posts or the teaching or legal profession with a hum of discontent that is growing in intensity.

People are anxious to know the cause of this evil in order to suggest remedies. Various explanations have been offered. One of them is that the system of education tends to produce and increase unemployment. Another is that literary education must give place to technical and techno-

logical instruction. "Back to the land" is another prescription. All these have been repeated not once nor in one place. But the evil, instead of seeming to diminish, is on the increase. Perhaps something more has to be seen and known.

Two of the above suggestions may be taken up for examination. One would like to know how the mere introduction of a technical or technological course can be a cure without the necessary number and variety of industries to absorb the products of these institutions. Existing industries are themselves in a pitiable plight; and in the absence of new ones, where employment could be found, will not the young men who take up such courses form only another kind of unemployed fraternity?

The cry of "Back to the land" suffers from no less vagueness. 80 per cent of the population are dependent on our land. Very few of them are educated. They cannot think of other avenues of employment. They have fared the worst during the present depression. Imagine for a moment our graduates going "Back to the land"; is the problem of either the graduates or the agriculturists going to be solved to *any* extent? Are their "Arts learning" and "College" habits going to be of any use to anybody on the "land" into which they have no sort of right or title to enter? What is to become of those already there?

The problem of unemployment, in India especially, is not isolated in its cause or cure. It is associated, nearly or remotely, with other problems like the low productivity and low purchasing power of the people who are growing in numbers but not in comforts or remunerative cultivation. The causes are nation-wide and the remedy must also be so. The only remedy can be in an expansion of her industries and the ability to hold our own in the national as well as in the international markets.

"Industrial history is the record of man's devising ability", said J. S. Mill. There must be more goods (of our own production) and at less cost. The utilisation of new lands and the application of new processes must create a surplus. Our problems are modern but our methods are lagging behind. The examples and experiences of other countries like England seem to have produced no impression on us at all.

England at the beginning of the 19th century was very much like India today. The handicraftsman was losing ground against the advent of machinery. A revolution had overtaken the home industry. The

one dominent idea of the 19th century was that of power realised through combination which in its own turn attained marvellous development into more and more of specialisation. Individual forces were nowhere before associated forces which brought about a concentration of labour and capital. There was regulation of internal competition and organisation of trade necessary for a proper development of the national market leading to a share of the world's commerce.

In all these we find a notable part played by the state. One of the most important ideas of recent times is that the individual has the right to work and the state must provide for him, if not the actual work, at least, the minimum conditions of work. In one of the lectures recently delivered at the Senate House at Madras by Mr. N. S. Subba Rao of Mysore on "Some aspects of Economic Planning", he spoke of the part that the State would be called upon to play in such a conscious control and regulation of production in harmony with consumption. The State had control not only over its external wealth but even over the intelligence and capacity of the people. That is why such things as housing, education, the residuum of cities, poverty, working-class conditions, infant mortality and similar things have been the concern of the State. It is as much the concern of the State as that of the individual to see that this internal wealth of the people is properly developed and made to run along channels devised in accordance with some sort of economic planning. The creation of economic councils has been recommended. The fear is that these may be so constituted as to be more anxious to play to the tune of an international scheme where the interests of powerful nations may predominate. International co-operation is not be deprecated; nay, it is absolutely essential. What has to receive earnest attention is that a country that is comparatively backward is not made to suffer, as India might, by having her attention drawn from national construction and reconstruction to a participation in world affairs. An economic planning for India with due recognition of the need for association and concentration of her forces of labour and capital, not ranged on opposite sides but acting as partners in national production, is the immediate need of the hour in our counrry, and the only one policy which, if it may not wipe off unemployment altogether, would, at least, mitigate the growing evil to an appreciable degree. We should get rid of our usual notion that the Government would or should do all these for us. It is the people that should come forward in greater numbers under proper leadership with the weight of considered schemes behind them to urge upon the state with irresistible authority the need for its co-operation. That will constitute another and more telling argument for our claim for self-government which, to be worth while having, must be the fruit of self-knowledge, self-control and self-evolution.

How to read the Money Market page of a Newspaper.

The money market page of a newspaper is seldom looked into by a majority of its readers in our country and especially in the backward province of Madras, is indeed a news which should cause much concern to one interested in the cause of trade, commerce and industry of the country. Perhaps it will be more so when one is informed of the fact that this is the most important and keenly-looked-for page of a modern newspaper in America, England and other commercial and industrial countries and that even a small fluctuation by a single point, in the rates of exchange between two nations, keeps the international telephones at their full pressure, resulting in transfers of some millions of pounds sterling among various nations. It is said that Mr. Rockfeller, the American Millionaire of world-wide fame has been a slave to his exchange operations and a prisoner in his international telephone room, always in touch with the important stock exchanges of the world to take immediate advantage of the ever fluctuating exchange rates, and thus earned a large fortune making him the richest man in the world. Further, a few years before, it has been said that an American Stock Exchange dealer gained seven million pounds sterling in a day's transactions.

Such an important section of a newspaper should therefore receive the proper attention it deserves by every one in the business line and the general public can hardly be overemphasised. So with the object of making this page more interesting and easily understandable it is proposed in this article to explain at some length a specimen of a money market page taken from *The Hindu of Madras,* dated 25th February, 1933.

Finance and Commerce

MONEY MARKET.

U. S. CROSS-RATE FALLS.

FEBRUARY 25.

Dollar-Sterling Rate (Yesterday's Closing)	$3.40\frac{7}{8}$
London-New York Cross-Rate (To-day)	$3.41\frac{1}{8}$

MADRAS

SATURDAY. 25th February, 1933.
EXCHANGE.

		d.
B. C. Rate T. T.	...	18 1/16
B. C. Rate D. D.	...	18 1/16
Bank Selling T. T.	...	18 3/32
Bank Selling D. D.	...	18 3/32
Banks Buying Rate Demand Draft on London	...	18 3/16
Banks Buying Rate 3 Months' Sight on London	...	18 7/32
Banks Buying Rate 6 Months' Sight on London	...	18 5/16

Market:—Steady.

France Banks Selling D. D. 640 Francs per Rs. 100.

Germany Banks Selling D. D. 105 Marks per Rs. 100.

American Dollars Banks Selling Demand Draft Rs. 397 per 100 Gold Dollars.

American Dollars Banks Buying Demand Draft Rs. 380 per 100 Gold Dollars.

Straits Dollars Banks Selling Demand Draft Rs. 156 per 100 Dollars.

Straits Dollars Banks Buying Demand Draft Rs. 150 per 100 Dollars.

Hongkong Banks Selling Demand Draft or T. T. Rs. 90 per 100 Dollars.

Shanghai Banks Selling Demand Draft or T. T. Rs. 120 per 100 Taels.

Japan Banks Selling Demand Draft or T. T. Rs. 85 per 100 Yen.

Japan Banks Buying 60 days D. P. Nominal per 100 Yen Nominal.

Java Banks Selling Demand Draft or T. T. Guilders 61 per 100 rupees.

Java Banks Buying Demand Draft or T. T. Guilders Nominal per 100 rupees.

Paris-London Cross Rate $86\frac{3}{8}$ Francs per £1 Stg.

London-New York $3.41\frac{1}{8}$ Dollars per £1 Stg.

Imperial Bank of India Rate $3\frac{1}{2}$%.

Bank of England Rate 2 per cent.

Dollar Sterling Rate (Yesterday's closing) $3.40\frac{7}{8}$. This means that the rate of exchange between London and New York, on that day was $3.40\frac{7}{8}$ dollars, or 3 dollars, $40\frac{7}{8}$ cents to a pound sterling. Again it means, in the ordinary language, that one paying a sovereign in a Bank at London will obtain an order payable on demand at New York for the above number of dollars and cents. This is due to the fact, that though England and America use only gold coins, the weight and fineness of the unit chosen by them, namely pound sterling and dollar respectively differ from each other. In normal times, a soverign should fetch 4 dollars and $86\frac{2}{3}$ cents and since England is now off the gold standard, her currency is depreciated and hence the lesser number of dollars she is able to obtain for her pound. The rate of exchange between London and New York is familiarly known as "cross-rate". The rate on the 25th Feb. was $3.41\frac{1}{8}$ dollars, (a dollar is equal to 100 cents and hence the two decimal places) quarter of a cent more than the rate ruling on the 24th.

B.C. Rate T.T. 18-1/16d. B.C. Rate D.D. 18-1/16d. As India imports a large quantity of goods from England, the English exporters draw upon the Indian Importers bills, for the value of the goods sold, with the shipping documents, *viz.*, bills of lading, invoice and policy of insurance, familiarly known as Documentary Bills, and send them through their English Bankers for collection in India. The Indian branches of the various English banks doing business at important commercial centres as Bombay, Calcutta, Madras are entrusted with the business of collecting money on these documentary bills and at

times these collecting bankers receive instructions from their London office to remit the amount so collected by immediate cable and this is known as T. T. or Telegraphic Transfer. So our readers will find that the exchange banks collecting the documentary bills act as intermediaries between the Indian importers and English Exporters, just as the Post Office is acting as such in the case of V.P.P. articles. The Indian importer pays the collecting bank in India in rupees; hence the necessity for quoting the equivalent of a rupee in pence. The method of quoting English equivalent is, at the rate of so many pence per rupee; the rupee being the unit and the constant item, and the exchange figures quoted, being the number of pence always varying. The rate of exchange is so quoted as to include some commission or charges for collecting and remitting the amount to London and no charge is separately made for the transaction as commission, as in the case of demand drafts issued by our bankers and payable within India. So the B. C. rate represents the rate of exchange fixed by bankers when they have to collect such documentary bills. In this example, the Indian importer has to pay Re. 1 for every 18-1/16d. for which the English exporter has drawn a bill on him. In the olden days there used to be a difference of at least, 1/32d. known as one point, between the T. T. rate and the D. D. rate; but for the past some months, there has been no difference between these two rates.

Banks Selling T. T. 18-3/32d. Suppose you wish to remit to your London creditor by a Telegraphic Transfer, so that he may obtain payment in some hours, a sum of £ 100, and ask for a quotation with an exchange banker. He will quote that, according to the above rate for every rupee you pay him, he will issue instructions by cable to place at the disposal of your creditor in London, 18-3/32d, the cable charges being borne by you. You will here find that in this case, the banker offers 1/32d more for every rupee. This is due to the fact that in this case he incurs no risk, receives spot cash and acts as a mere seller of sterling by receiving rupees, just like a merchant receiving cash and selling a book or a copying pencil. But on the other hand, in the case of a Bill for Collection, he has to take some risk and trouble in collecting money and hence he charges more. The term 'selling' is solely from the point of view of the banker because he sells English equivalent and this is commonly known as issuing draft on London.

Banks Selling D. D. 18-3/32d. In this case instead of obtaining a T. T. which is costly, we get a piece of paper which when

transmitted to our creditor at London, will enable him to obtain, by presenting it at the bank on which it is payable, the amount stated therein. This form of remittance will involve in a delay of about 17 days. Your rupee will fetch 18-3/32d as in the previous case.

Banks Buying Rate Demand Draft on London. 18-3/16d. As our country is a large exporter of raw materials to western countries, our exporters draw Documentary Bills, either payable at sight or after some period, say 3 or 6 months, and these bills are, in most cases, sold by the exporters for immediate cash in rupees with the English Exchange Banks. The buying rate quoted represents the number of pence for which a rupee will be paid. Here for every 18-3/16d for which the Indian exporter has drawn a bill payable on London and sold, he will be offered Re. 1. So you will note by comparing the rates for selling T. T. or D. D. and the buying D. D. rate on London, there is a difference of 3/32d. per rupee. This is because he loses the interest on the money he pays today, some 17 days before the day on which in the normal course the bill purchased could reach London and payment be obtained for it and some risk is involved in the transaction if the English importer on whom it is drawn does not honour the bill on presentation.

Banks Buying Rate 3 Months' Sight on London. 18-7/32d. Since the banker purchasing this bill, has to wait for 3 months plus 17 days for transmission by post, he loses interest for the period and to compensate him for this loss, he demands more pence per rupee. For 6 months' bills, you will therefore see that the rate is 3/32d more.

Market: Steady. This term means that there has been no fluctuation in the rates quoted.

France Banks Selling D. D. 640 Francs per Rs. 100. For every Rs. 100 paid to an exchange bank at Madras, we can get a draft on a bank in Paris or any other city in France payable at sight for 640 Francs.

German Banks Selling D. D. 105 marks per Rs. 100. For every Rs. 100 paid we can obtain a D. D. payable at a bank in Germany for 105 marks.

American Dollars Banks Selling Demand Draft Rs. 397 per 100 Gold Dollars. If we want to obtain a D. D. payable at New York or any other banking centre in U. S. A., for 100 dollars, we should pay a price of Rs. 397.

American Dollars Banks Buying Demand Draft, Rs. 380 per 100 Gold Dollars.

If we sell an export bill for 100 dollars on New York, the banker will pay us Rs. 380. Thus we note that he gets a profit of Rs. 17 per 100 dollars, between the rate at which he buys and that at which he sells.

The same will be the explanation for Straits, Hongkong, Shanghai, Japan, and Java bank rates, with the only difference that so many rupees will procure so many units of Currency of those foreign nations.

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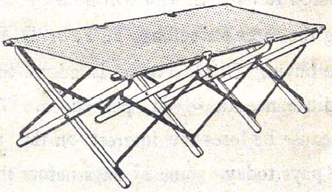

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News and Views.

The Controller of the Currency, in a communique informs the public that the total amount converted under the New Conversion Loan is Rs. 33.31 crores made up as follows:—

5% War Loan 1927–47	... Rs.	1,536	Lakhs
5% Bonds 1933 ...	... Rs.	700	,,
6% Bonds 1933–36...	... Rs.	1,095	,,
	Total Rs.	3,331	,,

* * * *

On the 25th February, 1933, at question time in the Madras Legislative Council, Mr. Abdul Hamid Khan, M. L. C., elicited the following answers in reply to his interpellations re the appointment of Examiners for Government Technical Examinations:—

Q. Will the hon. the Minister for Education and Excise be pleased to state who the officer is who makes the appointment of examiners for the Government examinations in the technical subjects such as Shorthand and Typewriting?

A. The Commissioner for Government Examinations makes the appointment.

Mr. Abdul Hameed Khan, in a supplemental question asked if the Minister would call for papers to find out if the work of selecting examiners was done by the Commissioner or by the Secretary independently of the Commissioner.

The Education Minister replied: It is not done independently of the Commissioner by the Secretary.

Mr. Abdul Hameed Khan: There is a good deal of heart-burning in the city and the moffusil on account of the fact that only a certain class of persons who are not themselves qualified are appointed as examiners just because the person who is really appointing these examiners wishes to have their favour so that he might see his name appear in the daily press as often as possible.

The Minister replied that he was not aware of any such thing.

Whatever the answers given by the Hon. Minister for Education may be, nobody can deny the fact that the system of appointing Examiners in the Government Technical Examinations is not guided by any fixed and right principle, that it needs a thorough and immediate overhauling and that it is high time that some reformation is made in this matter by issuing a G. O. to the effect that none but Teachers of Commerce should be appointed as such, as is done in the University and S. S. L. C. Public Examinations.

* * * *

Our readers will note with much pleasure that the Council of the Institute of Actuaries, Staple Inn Hall, London, have been pleased to arrange for their Actuarial examinations at Madras and that the first examination is to be held at the Old College, Numgumbakam, from Monday the 8th to Thursday the 11th May 1933. Mr. R. Krishna Rao Bhonsle, Secretary to the Commissioner for Government Examinations is the Honorary Supervisor. Hereafter there is no need for our brethren desirous of qualifying themselves for the Insurance and Actuarial professions to leave the country for sitting for the above examinations at London. It is hoped, by the facility now afforded, our numerous unemployed Graduates and Masters of Arts will turn their attention to the Insurance line which is only at its infancy and urgently needs a band of young and patriotic men to further its interests in the country.

Talks to Shorthand Students.

BY

P. S. PITCHUMANI, ESQ., B.A., L.T.

(*Continued from page 54.*)

My previous article on the above subject was intended mainly for those Shorthand students who were preparing for the Lower and Junior Grade Examinations of the Madras Government and London Chamber of Commerce, respectively. Here I would proceed to suggest a few lines of work for those who wish to appear for the Higher Grades and for the High Speed Tests.

Efficiency and speed are the two great ideals which every conscientious worker in Shorthand should place before himself. Starting with a speed of 96 or 100 words per minute, the student should assiduously take down dictations at uniformly increasing rates, taking care to see that accuracy is never sacrificed to speed at any stage. The several Sections in the Shorthand Instructor dealing with the Special Contractions and Advanced Phraseography should now be mastered and worked out with diligence and care. After this, he should turn his attention to increasing his speed. It should, however, be clearly borne in mind that the Shorthand written, at whatever speed it may be, should be so correctly and legibly written, that it can be easily transcribed without error. There is no use of finishing a work in record time, if it must be done again because of its incorrectness. Accuracy should be his chief aim. Up to a speed of 160 words, he should not go in for any short cuts, intersections or special abbreviations. He should confine himself only to the outlines as covered by the Sections in the Instructor referred to above, and try to secure that maximum speed with their aid. For an industrious student, with a good knowledge of English, this will not at all be a difficult task.

No one can deny that Shorthand has come to occupy a very important place in the conduct of public affairs in the world to-day. It has even become a vital part of daily life. The services of the Stenographer are required in almost all departments of work, Courts of Justice, Legislative bodies, public meetings, Conferences and Commissions, and Commercial houses. Unless he possesses a sound general knowledge and an adequate understanding of the subject, he cannot hope to be an efficient Shorthand writer. He should train himself on matters of considerable variety, literary, professional, commercial and technical. He should find it as easy to take down passages dealing with the work of the London Fire Brigade, fogs and fog signals, or birds and bird life, as to report the speech of the Governor or the Viceroy. Besides, his performance should be free from mistakes of grammar and spelling. Copying from printed matter should be done invariably, as it has an advantage over dictation. It appeals to the

eye and, therefore, produces a better impression in his mind.

In addition to the above, I would specially advise the student studying for the Higher Grade of the Madras Government Technical Examinations, to get himself trained in the Elaboration of Notes and in Condensation also. Sometimes, it so happens that failure to get the minimum in each of the Second and Third Papers results in the failure of the candidate in the Examination, even though he may have passed in the Speed Paper. It is, therefore, *imperative* that he should acquaint himself with the writing of different forms of letters, such as official, business etc., the drafting of Circulars, appeals and reports to newspapers, proceedings of meetings, forms of Resolutions passed at such meetings, memorials to Government and, last but not least, matters dealing with Co-operation, Banking, Insurance, etc. Likewise he should learn the main principles of precis-writing, and be able to condense a speech of 750 words into a summarised report in indirect form of about 300 words.

Lastly, a word to the High Speed aspirant, and I have done. To acquire a reporting speed of more than 160 words, he should make use of short cuts and special abbreviations. Graded Shorthand Reading Books and Speed Practice Books written in the Reporting style of Phonography may be availed of to great advantage. He should join the High Speed Shorthand classes for dictation practice and, by appearing for the High Speed Tests periodically held under the auspices of the Madras Shorthand Writers' Association, he may qualify himself as an efficient stenographer.

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Madras Government Technical Examinations.

APRIL, 1932.

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Elaboration of Notes.

Time—Two hours.

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2. You have just returned from // taking part in a deputation of Presidents of District Boards which waited on the Minister for Local Self Government to point out the insufficiency of the Government's contribution towards medical /// relief in rural areas. Write a report on the results of the deputation for presentation at the next meeting of your District Board. Give the salient points of the representations (1) made, strongly emphasising the need for more dispensaries in villages, and giving the amount which the deputation thought should be contributed by the Government towards the annual cost of each / dispensary. Indicate the nature of the Minister's reply. The statement should not exceed 300 words.

3. You intend to give your small son a bicycle for his birthday. Write a letter // not exceeding one hundred words to a firm of cycle dealers stating the age of your son, the colour of the bicycle you want, and the price you are prepared /// to pay for it. Give the date of his birthday.

4. A friend has written to you announcing his intention to visit you on the occasion of an important festival in (2) your local temple. Write a letter of 150 words telling him whether you can accommodate him, and if not the accommodation available in the local choultry.

5. Write a / brief account of an assault case, heard in your local court, in which the accused pleaded "self-defence" and alleged that the complainant had threatened him with an aruval. Give // the names of five witnesses for the defence, of the Prosecuting Inspector, and summary of the Magistrate's judgment acquitting the accused and dismissing the case as a fabricated one. /// The account should not exceed 150 words.

(Answers next issue.)

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